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1993 State Fiscal Prospects

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A new Tax Foundation survey of the 50 states reveals that new taxes in excess of $7.9 billion have been enacted or proposed for fiscal year 1993. After record tax increases of $17 billion in fiscal year 1992 and $10.3 billion in fiscal year 1991, the proposed FY'93 revenues will be the third largest increase since 1984. Three states, New York, Florida and Maryland, account for more than half of the total increase. New York has the largest tax increase on the drawing board — a plan to extract $1.6 billion in new revenue from a variety of measures, such as extending sunsetting provisions and increasing fees. Florida is contemplating $1.5 billion in new revenue, mostly from sales and business taxes. Maryland taxpayers, still adjusting to $90.1 million in new taxes from FY'92, are preparing themselves for a hit almost ten times as large, $875 million enacted in April of this year.

Two symptoms of the nationwide recession, low personal income growth and sluggish personal consumption, continue to make a mockery of state revenue estimates. After last year's substantial increases in individual and corporate income taxes and sales taxes, lawmakers are resorting to a variety of inventive revenue-raising measures: subjecting previously exempt items to sales tax, increasing existing fees and imposing new fees on new products and services, extending temporary tax increases, deferring tax relief legislation, accelerating tax collections, and strengthening audit and administrative enforcement activities. All told, lawmakers will add another $7.9 billion to state coffers, totaling a record $35.2 billion in new revenues in the past three years, $12.2 billion more than was added in the entire decade of the 1980s.

After last year's substantial increases in individual and corporate income taxes and sales taxes, lawmakers are resorting to a variety of inventive revenue-raising measures.

A tax on video poker in Louisiana, a bigger lottery take in Texas, a new pollutants tax in Florida, doubled DUI fines in Georgia — these new taxes and fees, along with accounting changes, comprise the category known as "miscellaneous taxes" and make up more than $2.8 billion of the newly proposed revenue. Spending more on audits is also included in this category and is an increasingly popular way to raise revenue; in fact, New York projects a whopping $165 million in new revenue from more vigilant collection efforts. By raising such prodigious sums from such obscure sources, states show how desperate they are to simultaneously raise revenue but avoid the ire of taxpayers that would be roused by higher income and sales taxes.

Nevertheless, three states — Iowa, Mississippi, and Tennessee — are planning to bring in nearly $1.1 billion by raising sales tax rates, and sales taxes are second only to miscellaneous taxes as state revenue-raisers this year. But far more popular than rate-raising is base broadening, that is, subjecting more products and services to the current sales tax rate. Florida, Louisiana, Maryland, Minnesota,

Proposed Fiscal 1993 Net Tax Increases by Major Type of Tax ($Millions)

Tax	Net Amount
Personal Income	$1,088.9
Business	880.5
Sales and Use	1,437.9
Motor Fuels	494.2
Tobacco	467.6
Alcohol	273.7
Property	13.0
Miscellaneous	2,780.4
Total (a)	$7,939.2

(a) Note: total includes $503 million in revenue ($500 million for Alabama and $3 million for W. Virginia) that is a combination of personal income, business, and miscellaneous taxes.

Source: Tax Foundation.

Ohio, Rhode Island, South Carolina, Virginia, and Washington, D.C. have proposed broadening their sales tax bases to include items such as 1-900 numbers, cable TV, snack foods, and various sewage and solid waste services. All told, this base broadening will garner over $952 million in new FY'93 revenue.

New Jersey is bucking the trend by cutting its projected sales tax revenue by $605 million. Just two years ago, the state raised the rate to its current 7 percent level but is now looking to return the rate to 6 percent in an effort to remain economically competitive with surrounding states.

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Eight states are contemplating changes in personal income taxes, with New York and Maryland passing the largest increases. New York extended its temporary increase in the top income tax rate and froze standard deductions at 1991 levels to raise $730 million. Maryland raised its top rate from 5 to 6 percent, increasing revenues by nearly $100 million. Colorado is also contemplating increasing its personal income tax rate from 5 to 6 percent for a $340 million boost in revenue. Arizona and Massachusetts are the only states considering income tax reductions.

Corporations may also feel the pinch of new taxes as states contemplate siphoning $880 million in additional revenues. Business may see increases in income taxes, filing fees, intangibles taxes, and changes in tax payment methods. Businesses in Massachusetts may see a hike in their unemployment compensation costs for employees. In New York, the 15 percent business tax surcharge scheduled to drop to 10 percent was extended for the next two years.

Finally, states will resort to various excise taxes on motor fuels, tobacco, and cigarettes to raise another $1.2 billion in new taxes for FY'93. Taxpayers may feel the heaviest blow from higher motor fuels taxes that will yield a potential $494 million increase. And eight states and the District of Columbia have enacted or planned increases in cigarette excises to raise $468 million in new revenues.

Fiscal Prospects by State

Alabama

The Alabama legislature is considering a major tax and fiscal reform package that is projected to raise $500 million in additional revenue for FY'93. The majority of bills introduced this year deal with education reform and fiscal accountability, state administration budget reform, and tax reform. Specifically, the tax bills being considered propose shifting the tax burden from lower- to higher-income groups. Other provisions include aligning the corporate income tax with the federal system, equalizing the franchise tax among foreign and domestic companies, and replacing the sales and use, lodging, and rental and leasing taxes with a transaction tax. Consideration of major tax reform and spending accountability will be the state's top fiscal priority for FY'93.

Alaska

In the face of a $238.3 million budget deficit, Alaska Governor Walter Hickel is proposing a capital budget that is estimated at $300 million. As a result, lawmakers will have to decide whether or not to draw from reserves to balance the budget since revenues are projected to decrease for FY'93. The fiscal outlook for the state appears dim since reserves will soon be exhausted and the state will have the choice of cutting spending or raising taxes. Currently, Alaska has the distinction of being the only state that levies neither an individual income tax nor a sales tax.

Arizona

In light of an $84.7 million budget surplus, Arizona legislators are proposing a cut in the personal income tax rate from 5.25 percent to 5 percent, providing an estimated $60 million in tax relief for FY'93. Growth of revenues is expected to outpace expenditure growth by 2 percentage points. Primary and secondary education are the fastest growing expenditures, expected to increase by 4.6 percent in FY'93. The economic forecast for the state calls for nominal personal income growth near 7 percent, and unemployment in the low 5 percent range.

California

Suffering from minimal income growth, a sluggish retail industry, and an unemployment rate over eight percent, California's economy remains in recession. In spite of the $6.6 billion in additional revenue from last year's increases in sales, individual income, and gasoline taxes, the state anticipates a $1.3 billion budget deficit. For FY'93, legislators plan to combat the deficit with a series of revenue provisions: transfer of excess fund balances, increased fees for universities and state college systems, refinancing of bonded debt at lower interest rates, and state expenditure reductions in areas such as health and welfare, renter's tax credits, salaries of managers and supervisors, and local governments. With the

state's bond debt servicing expenditure increasing the fastest at 26.4 percent for FY'93, the state's main priority will be eliminating the deficit and addressing the state's structural budgetary problems.

Colorado

In response to a projected deficit of $145 million, Colorado lawmakers are proposing an increase in the personal income tax that would bring in an additional $340 million in revenue for FY'93. The budget shortfall can be traced to a growth rate in expenditures that is twice as fast as the growth in revenues. For FY'93, education

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expenditures will leap 16 percent over FY'92 levels, rising by $170 million. Additionally, the state's Medicaid program continues to increase significantly, as a result of state matching funds rising over $100 million in the past two years.

Connecticut

Despite implementing a new flat rate personal income tax, Connecticut continues to face a deficit, $1.2 billion for FY'93. As in many states, legislators in Connecticut are now looking to the expenditure side of the ledger for budget-balancing solutions. Welfare reform heads the target list of spending cuts, primarily by reducing costs in nursing homes, and decreasing benefits and general assistance to town welfare programs.

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Government employee benefits will also be restructured, as COLAs will be eliminated for future retirees, and a 20 percent co-payment for health insurance will be instituted. Other spending reductions include cutting 2,700 jobs from the government payroll; lowering administrative costs; and reducing aid to local governments for education, property tax relief, and roads.

Delaware

No significant tax changes are expected in Delaware this year. After $96.4 million in new taxes last year and 4 percent cuts in state government agencies, the state expects a $14.5 million budget surplus. Expenditures for Medicaid are expected to increase the fastest, jumping $20.7 million. The state will focus on maintaining essential services within the boundaries of its existing revenue structure.

Florida

After reducing appropriations by $522.2 million in a special session in December 1991, the Florida legislature is addressing a budget deficit of $125.5 million. Repealing sales tax exemptions ($694.4 million), increasing the tax rate on intangibles, and broadening the base for minimum corporate income tax payments for small corporations ($269.4 million) are some of the revenue-raising provisions currently being discussed. Other proposals include repeal of dealer collection allowances on tobacco, beverages, and alcohol, and withdrawal of agents' commissions on documentary stamp taxes. The Florida legislature has also passed a pollutants tax that is estimated to yield an additional $163 million in gasoline revenues. Education, social service programs, and raising sufficient revenue to fund Governor Lawton Chiles' investment budget top the list of Florida's fiscal priorities. Florida expects to recover slowly from the recession in FY'93 with personal income increasing by 5.9 percent, unemployment hovering around 6.8 percent, and tourism increasing by 3.7 percent after last year's decline.

Georgia

In light of a slow economic recovery, Georgia Governor Zell Miller has recommended an economic development program that would fund major capital projects in transportation, higher education, research and development, and school construction. Fees for motor vehicle titles and tags, public identification cards, hunting and fishing licenses, drivers' licenses, prestige license plates, and DUI/habitual violations will more than double to raise an estimated $233 million in new FY'93 revenue. Among state spending programs, expenditures for corrections are expected to rise the fastest, by 11.3 percent, more than two percentage points above overall state spending increases. Lawmakers will put education and corrections at the top of their list of fiscal priorities.

Hawaii

No significant tax changes are expected in Hawaii this year. The state projects a budget surplus for FY'93 estimated at $80 million, and is considering some property tax relief measures such as increasing the renters' tax credit by $85. State spending is projected to increase by 15 percent, more than double the 7 percent growth in revenues.

Fiscal 1993 State Revenue Proposals by Type of Revenue and Net Increase or Decrease (a) ($Millions)

State	Personal Income Taxes	Business Taxes	Sales and Use Taxes	Motor Fuels Taxes	Tobacco Taxes	Alcohol Taxes	Property Taxes	Miscellaneous Taxes	Total Net Revenue
Alabama *	*	*						*	900.0
Alaska									
Arizona	(60.0)								(60.0)
Arkansas									
California									
Colorado	340.0								340.0
Connecticut									
Delaware									
Florida *		269.4	694.4	163.2	2.0	8.5		327.4	1,464.9
Georgia								233.0	233.0
Hawaii								(4.0)	(4.0)
Idaho							6.6		6.6
Illinois					10.0	82.0			92.0
Indiana									
Iowa			274.0						274.0
Kansas									
Kentucky	5.0								5.0
Louisiana *	15.0		325.0					426.6	766.6
Maine									
Maryland *	99.9	6.5	120.1	218.7	89.0			432.6	966.8
Massachusetts	(140.0)	260.0							120.0
Michigan					200.0	147.0			347.0
Minnesota			65.0		21.2				86.2
Mississippi	10.0		166.0						176.0
Missouri	55.0	40.0		64.0					159.0
Montana	34.0								34.0
Nebraska									
Nevada									
New Hampshire									
New Jersey			(605.0)						(605.0)
New Mexico									
New York	750.0	294.0		45.0				494.0	1,563.0
North Carolina									
North Dakota									
Ohio			57.1		97.0	33.3		12.0	199.4
Oklahoma									
Oregon									
Pennsylvania								60.0	60.0
Rhode Island		10.6	46.8					14.8	72.2
South Carolina			1.0					11.2	12.2
South Dakota					4.9				4.9
Tennessee			230.0					190.0	420.0
Texas *								462.0	462.0
Utah									
Vermont									
Virginia			28.9					70.1	99.0
Washington									
West Virginia *	*	*	(1.0)					11.1	15.1
Wisconsin					39.0				39.0
Wyoming									
Dist. of Columbia			55.6	5.5	4.5	2.9	6.4	59.6	92.3
Totals	$1,088.9	$880.5	$1,447.9	$494.2	$467.6	$275.7	$13.0	$2,780.4	$7,939.2

(a) No surveys were received from Arkansas and the District of Columbia.
Alabama - Revenue package includes changes to personal income tax, corporate income tax, and other miscellaneous excises.
Florida - Revenue estimates based on Governor Chiles' proposal. Other proposals include House Finance package estimated at $1,139.9 million and Senate Finance package estimated at $481.9 million. Includes pollutant tax, estimated to raise $163 million in motor fuels revenue.
Louisiana - Miscellaneous taxes comprised of fees for pharmacy costs, physician costs, nursing homes, and insurance, tax on video poker, and refinancing of debt service payment.
Maryland - Includes one-time windfall gains, as well as all potential increases from local piggyback increases.
Massachusetts - Revenue estimate for business taxes based on calendar year 1992.
Texas - Revenue based on proceeds from state lottery approved on November 1991 ballot.
Virginia - Estimates are based on half of proposed revenue increases since current legislation estimates revenues on biennium budget (1992-94), totaling $197.9 million. Governor Wilder proposes similar legislation which would result in $125.7 million new revenues for the biennium.
West Virginia - $5 million of revenue relates to legislative bill changing the administration and collection of personal and corporate income taxes.
Miscellaneous taxes includes licenses for super bingo games and insurance premium tax on fire and casualty premiums.

Source: Tax Foundation
Data compiled from state survey of revenue departments, legislative officials, and governors' offices.

Idaho

Idaho anticipates no major tax changes in FY'93. Lawmakers are considering imposing a real estate transfer fee, which is estimated to yield $6.6 million in new revenue, with the stated purpose of providing tax relief for low-income homeowners and funding election consolidation. The state will focus on education and maintenance of a current operating budget in FY'93.

Kentucky's economic outlook, tied closely with the outlook for the national economy, predicts a very sluggish recovery. Total employment is expected to increase by 0.5 percent, while real personal income growth will likely remain below 1 percent in FY'93.

Illinois

Facing a projected $795 million budget deficit, Illinois Governor Jim Edgar has proposed spending cuts in most state programs that would result in $600 million in savings, an estimated 4 percent of the operating budget. No major proposals to resolve the shortfall have surfaced. Lawmakers call balancing the budget their top fiscal priority.

Indiana

No significant tax changes are expected in Indiana. Hoping to avoid a tax increase in its next biennium, lawmakers will be looking to changes in the state's tax structure. Substitutes for property taxes are likely to be a popular topic of debate. The state's top fiscal priority will be maintaining a balanced budget while funding education at a sufficient level.

Iowa

Lawmakers in Iowa have proposed $274 million in new sales and use taxes for FY'93. Increasing the rate from 4 to 5 percent would provide $240 million in revenues, while the remainder of the new revenues will come from motor vehicle use taxes and broadening the base of the sales tax to include services that are currently exempt. The new revenues are part of the state's plan to eliminate a projected "GAAP" deficit estimated at $150-180 million. Although the state's legal budget is currently in balance, the predicted shortfall is the result of alterations to Generally Accepted Accounting Principles (GAAP) that are scheduled to take effect by 1995. Growth of primary and secondary education expenditures are expected to outpace all other budget items, increasing by 8.6 percent or $95.2 million in FY'93.

Among Louisiana's revenue measures, a new tax on video poker, new fees on physician costs, pharmacy costs, and nursing homes, and suspension of various sales tax exemptions will contribute $766.6 million in additional revenue for FY'93.

Kansas

The Kansas Senate recently killed a bill to revise school funding and reduce property taxes by raising sales, personal, and corporate income taxes. The bill, as passed by the Kansas House, would have provided $440 million in property tax relief, but would also have raised taxes by $453 million. The state, however, will continue to seek out potential measures for property tax relief and revisions of funding for public schools. The fiscal forecast for Kansas is for minimal improvement, with unemployment dropping to 6.2 percent, personal income growth at 5.7 percent, and revenue growth at 4 percent.

Kentucky

Fiscal constraint will be the rule for Kentucky in FY'93. Despite high increases in Medicaid expenditures, over 20 percent, the state anticipates a $28.5 million reserve ("rainy day" fund), in addition to a general fund ending balance of $23.5 million. Overall spending levels are being held constant with FY'92 levels, while the state projects revenue growth in the 3 to 5 percent range. The two main fiscal priorities of the state will be education reform and health care. Kentucky's economic outlook, tied closely with the outlook for the national economy, predicts a very sluggish recovery. Total employment is expected to increase by 0.5 percent, while real personal income growth will likely remain below 1 percent in FY'93.

Louisiana

Lawmakers in Louisiana are grappling with a $1 billion budget deficit for FY'93. In light of this, Governor Edwin Edwards has proposed a budget balancing package that entails a mixture of spending reductions, accounting changes, and various revenue-raising measures. Among Louisiana's revenue measures, a new tax on video poker, new fees on physician costs, pharmacy costs, and nursing homes, and suspension of various sales tax exemptions will contribute $766.6 million in additional revenue for FY'93. The state's top fiscal priority will be the maintenance of current services.

Maine

After last year's $266 million tax increase in sales taxes, income taxes, and various excise taxes, Maine is not contemplating any significant tax changes this year. Instead, lawmakers will focus on controlling administrative costs. The state's economic forecast is optimistic, hoping the economy will stabilize. The recession, however, will leave the state with a negligible balance at year's end.

Maryland

For Maryland residents, last year's $90.1 million tax increase will be a drop in the bucket compared to the $875 million in new taxes they will face this year. After missing the constitutional deadline for a balanced budget, the Assembly passed a $12.1 billion FY'93 budget just four days later that included $306 million in new general fund revenues, $218.7 million in transportation revenues, and $30 million

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in local tax revenues. Major provisions of the bills included: an increase in the top personal income tax rate from 5 to 6 percent for individuals with incomes over $100,000 and joint filers with incomes over $150,000 ($99.9 million total, $30 million from higher local brackets); repeal of sales tax exemptions for items such as snack foods, grocery carryout foods, and newspapers ($56 million); base broadening of the sales tax to include various services such as cellular telephone services, security services, credit reporting services, and 1-900 number

Sin taxes will be the likely targets for revenue increases in Michigan during FY'93. Proposed rate increases in alcohol and tobacco taxes would yield $347 million in additional revenues.

telephone services ($54.1 million); an increase in the cigarette excise tax from 16 cents to 36 cents per pack ($89 million); a new method of taxing telecommunications ($10 million); an increase in the corporate filing fees ($6.5 million); and various measures dealing with the payment and collection of the income and sales tax ($20.1 million).

The tax package also increased the gasoline excise tax from 18.5 to 23.5 cents, adding $166.5 to state and $52.2 million to local transportation revenues. County governments were also granted the authority to increase the piggyback income tax

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from the current maximum of 50 percent of the state amount to 60 percent. The estimated revenue gain would be $287 million annually plus a $125 million windfall in the first year. Other revenue measures included a new top income tax bracket and measures dealing with payment and collection of income taxes.

Massachusetts

Massachusetts anticipates a current-year surplus of $17 million, and fiscal conservatism continues to dominate. The legislature has, however, passed a bill that will raise unemployment costs for employers by increasing the taxable wage base. This is estimated to yield $260 million in additional revenue for the state. Debt service remains the fastest growing expenditure, increasing some $290 million in FY'93. The state's economic recovery continues, as total expenditure growth is being held below revenue growth. There is a proposal to decrease the personal income tax as a means to stimulate the economy further, resulting in a loss of $140 million in FY'93 revenue.

Michigan

Sin taxes will be the likely targets for revenue increases in Michigan during FY'93. Proposed rate increases in alcohol and tobacco taxes would yield $347 million in additional revenues. The additional funds are needed to eliminate a potential $785 million budget deficit at the close of FY'92. The state's "rainy" day fund will add $180 million in revenue to help offset the projected shortfall. The state is putting property tax relief at the top of its fiscal priority list, while aid for education is expected to climb over the $1 billion level in FY'93.

Minnesota

The Minnesota legislature has recently passed the omnibus tax bill, HF2940, which is estimated to raise $65 million in new revenue. The largest tax increase is an extension of the state's sales tax to purchases made by local government units such as counties, cities, and townships. Other small changes were made relating to corporate tax payments and sales tax exemptions. Lawmakers also hiked the excise tax on cigarettes by 5 cents for FY'93. This measure, which is earmarked to help start up funding for a universal health care access and reform plan, is estimated to raise $21.2 million in new revenue. Debt service, estimated to be the fastest growing expenditure, is expected to rise by 9.7 percent. Primary and secondary education, funding for children and families, property tax relief, criminal justice, and critical human services programs top the state's fiscal priorities list.

Mississippi

The Mississippi legislature and Governor Kirk Fordice are at odds over how to balance the budget. The Senate has passed a bill that would increase the sales tax and make other adjustments that would result in $176 million in new FY'93 revenue. The package includes a one percent increase in the sales tax rate ($166 million), removal of federal exemptions in the personal income tax ($10 million), and a new tax on telecommunications ($10 million). The bill also removes the current sales tax applicable to soft drink wholesalers (-$10 million). Governor Kirk Fordice has adopted a no-new-taxes

platform and called for 5 percent across-the-board reductions in general fund agencies, except for K-12 education and economic development. Public safety programs and narcotics would receive a 2.5 percent cut. Economic development will be the state's top fiscal priority.

Missouri

Unlike most other states, revenues are expected to outpace expenditures in Missouri for FY'93. Lawmakers, however, are still proposing tax increases. The House recently passed a bill that would raise $95 million in additional revenues to aid elementary and secondary education. If approved by the Senate, the bill would increase personal income taxes by $55 million and corporate income taxes by $40 million. The bill would increase the 5 percent flat corporate income tax to 6 percent and cap deductions of federal income taxes for individuals at $25,000 ($50,000 for joint filers). Lawmakers are also considering an increase in the motor fuels tax, from 11 to 13 cents. This is expected to bring in an additional $64 million in new state revenues. The top fiscal priority, once again, will be education, as the state seeks to increase funding for all grade levels. The fiscal outlook for residents of Missouri calls for modest economic and revenue improvement, with personal income growth expected to rise by 5.7 percent and unemployment to be 6.5 percent.

Nevada will be confronted with a projected budget deficit of $76 million for FY'93. Across-the-board cuts, except in primary and secondary education, ranging from 4 to 19 percent will be implemented to balance its current FY'92 budget.

Montana

Faced with a $106 million FY'93-94 biennial budget deficit, Montana held a special legislative session to deal with its fiscal woes. A variety of revenue and spending measures were adopted to cover the shortfall. The budget was balanced with across-the-board spending reductions averaging 4.3 percent for the biennium, funding changes and transfers to the general fund, and a new bill requiring estimated tax payments. The state's primary goal is to maintain its slim fund balance by minimizing additional supplements. Human services is expected to be the fastest growing expenditure for FY'93.

Nebraska

Nebraska will finish FY'93 with a balanced budget, but anticipates that FY'94 and FY'95 may end with deficits. A variety of taxes on products ranging from fertilizer to diapers have been proposed, but none enacted. The new revenues will be part of the state's efforts to maintain a balanced budget, and meet the needs of Medicaid, the fastest growing expenditure, estimated to rise by 17.1 percent. The state expects slow but steady economic growth, keeping unemployment low and personal income growth high.

Nevada

Nevada will be confronted with a projected budget deficit of $76 million for FY'93. Across-the-board cuts, except in primary and secondary education, ranging from 4 to 19 percent will be implemented to balance its current FY'92 budget. State government reductions and hiring freezes are expected to continue through FY'93. In addition, the state hopes to persuade school districts to postpone planned expansion under a class-size reduction program. The fastest growing expenditure is Medicaid (provider tax and federal funds), which will leap by 34.5 percent in FY'93. With a balanced budget as its top fiscal priority, no new taxes are expected in the coming fiscal year.

New Hampshire

New Hampshire does not anticipate any significant tax changes this year. Expenditures are expected to outpace revenues by more than two percentage points. The state will concentrate on the fiscal problems brought about by slow economic growth and its heavy reliance on Medicaid funds. Economic forecasts for New Hampshire predict a slight increase in revenue growth by the start of the new fiscal year.

New Jersey

After a record tax increase in FY'91, residents of New Jersey may receive some form of tax relief for the new fiscal year. Lawmakers are contemplating a reduction of the state's sales tax rate from 7 to 6 percent, resulting in an estimated $605 million in tax savings. Legislators are also proposing changes in various expenditure programs such as school funding, homestead rebate, and state operations. Once again, property tax relief through increased aid to schools and municipalities will be the state's top fiscal priority. New Jersey's economic forecast calls for a stable economy, with marginal growth. Overall economic activity will increase but remain well below peak levels.

New Mexico

New Mexico continues to outperform national averages. Its Reserve Fund Balance is anticipated to be $93.3 million in FY'93. Expenditures have increased at a faster rate than revenues, but have been offset by a combination of transfers of funds, investment changes, and enhanced tax collection efforts. Human services

and Medicaid expenditures are expected to grow the fastest, leaping by 23.6 percent. The state's primary focus for FY'93 will be social services.

New York

Facing an estimated budget deficit of $6 billion, the New York legislature has passed a revenue-raising package expected to bring in $1.56 billion. The $6 billion deficit stems from $1.2 billion carried over from the previous year combined with a current "gap" of $4.8 billion. These measures are riding on the heels of the $4.2 billion in spending reductions and $1.2 billion of new revenue from the previous year.

After a record tax increase in FY'91, residents of New Jersey may receive some form of tax relief for the new fiscal year. Lawmakers are contemplating a reduction of the state's sales tax rate from 7 to 6 percent, resulting in an estimated $605 million in tax savings.

The bulk of the $1.56 billion increase in new revenue will come from freezing scheduled tax reductions and fee increases. These include scheduled reductions in the personal income tax rates ($730 million) and the corporate income tax surcharge ($270 million). Other major provisions included changes in tax administration and enforcement ($165 million), new and increased fees on driver's licenses, license plates, and nursery growers ($80 million) and petroleum tax changes ($45 million). The remainder of the revenues will come from provider assessments. New York will concentrate its FY'93 efforts on examining significant structural reform as a means of achieving long-term fiscal stability.

Lawmakers in Ohio are considering privatizing state-run liquor stores, as well as eliminating 1.5 percent of vendor discounts for collecting sales tax. These are expected to raise $10 million and $57.1 million respectively.

North Carolina

No significant tax changes are expected in North Carolina this year. Residents, however, will continue to feel the impact of last year's $616 million increase in personal income taxes, sales taxes, corporate income taxes, and alcohol and tobacco excises. Lawmakers will now place corrections, education, and Medicaid at the top of their fiscal priorities list. The state expects FY'93 to be a year of continued economic recovery. Employment is expected to increase by 2.1 percent, personal income by 5.8 percent, and baseline revenues by 8.8 percent.

North Dakota

Entering the second year of its biennium, no significant tax changes are expected in North Dakota. Lawmakers will continue to concentrate on economic development for the state. Economic indicators for the state appear positive, with unemployment at 4 percent, employment growth at 2 percent, and steady personal income growth of 3 percent.

Ohio

Confronting a $577 million deficit for FY'93, Ohio will put budget balancing at the top of its agenda. Revenues are expected to decline by $379.3 million, or 3.6 percent, while expenditures are estimated to climb by $181.5 million, or 1.3 percent. The largest spending increase will be in general assistance and disability assistance, an additional outflow of $48.7 million, a 25.3 percent jump. A series of budget cuts in all agencies (except for primary and secondary education, basic aid, debt service, and entitlement programs), Medicare and welfare reform proposals, revenue enhancements, and transfer of funds will be likely alternatives for eliminating the deficit.

Several proposals to increase taxes have been discussed but not yet adopted. A total of $199.4 million in new revenues have been proposed to date. Potential increases in tobacco and alcoholic excise taxes are estimated to bring in $120.3 million in additional FY'93 revenues. Lawmakers in Ohio are also considering privatizing state run liquor stores, as well as eliminating 1.5 percent of vendor discounts for collecting sales tax. These are expected to raise $10 million and $57.1 million respectively. Finally, increases in various miscellaneous taxes would bring in $12 million in new revenues. A slow economic recovery is the forecast for FY'93, with little or no reduction in the state's unemployment level. Personal income in Ohio is expected to increase by 5.1 percent in calendar year 1992 and 6.1 percent in calendar year 1993.

Oklahoma

Oklahoma anticipates a budget surplus of $15 million for FY'93. No significant tax legislation is anticipated for the new fiscal year. On March 10, the Oklahoma legislature approved State Bill 640, which requires a super majority (75 percent) in the House to pass a revenue tax increase. Any proposal gaining less support than a super majority will then be placed on a referendum where a majority vote by the public will put into effect the proposed increase. Like many states, education, specifically primary, will be the state's top priority. It is also the fastest growing segment of Oklahoma's budget, estimated to increase by 5 to 7 percent. Oklahoma continues to experience record economic growth, and unemployment remains comfortably below the national level. Moreover, real per capita income growth rates are expected to exceed the national rate.

State's Top Fiscal Priorities (a) Fiscal Year 1993

State	Balanced Budget	Tax Reform	Education	Health/Medicaid	Corrections	Property Tax	Other
Alabama (b)		X					Spending accountibility
Alaska							Whether to spend reserves
Arizona							Managing fiscal resources efficiently
Arkansas							
California							Deficit reduction; reform for structural budgetary problems
Colorado			X				
Connecticut	X						
Delaware	X						
Florida (c)			X				Raising revenue to fund Governor's Investment budget for long term growth
Georgia			X		X		Capital projects
Hawaii	X						
Idaho (b)	X		X				
Illinois (b)	X						
Indiana (b)	X		X				
Iowa	X						
Kansas (c)			X			X	
Kentucky (b)	X		X	X			
Louisiana	X	X					
Maine							Controlling administrative costs
Maryland (c)	X		X				Reducing spending
Massachusetts	X						
Michigan						X	
Minnesota			X		X	X	Human services, funding for families and children
Mississippi							Economic development
Missouri			X				
Montana	X						
Nebraska (c)	X			X		X	
Nevada	X						
New Hampshire				X			Resolving fiscal problems brought on by ailing economy
New Jersey (b)			X			X	Continue lowering operating costs
New Mexico							Social services heads the list
New York	X						
North Carolina (b)			X	X	X		Salary raises for public employees
North Dakota (b)				X			Economic development
Ohio	X		X				
Oklahoma (b)			X	X			
Oregon (b)	X		X				Replacing reduced local spending
Pennsylvania	X						
Rhode Island	X						
South Carolina (c)			X		X		Hurricane Hugo debt repatriation
South Dakota	X						Aid to local government
Tennessee (b)			X				Restoring "rainy day" fund
Texas (b)	X		X				
Utah (c)			X	X	X		Human services
Vermont (b)	X					X	Welfare reform
Virginia							
Washington (c)	X			X			
West Virginia (b)			X				
Wisconsin (b)	X						
Wyoming	X			X			
District of Columbia							
Total	*25*	*2*	*20*	*10*	*5*	*6*	*22*

(a) Based on seventy-seven surveys. (b) Based on two differing surveys. (c) Based on several varying surveys.

Oregon

For the next several years, the focal point of the state's fiscal debate will concern the recent passage of the property tax limit in Oregon. The primary effect of this limit is to shift the burden of education funding from local school districts to the state. Whereas education accounted for 29 percent of general fund expenditures in the 1989-91 biennium, the loss in revenue at the local level will require the state to earmark over 70 percent of the general fund for education in the next biennium. For FY'93, spending reductions and excess revenue from a healthy economy will allow the state to increase total state educational aid to $2.1 billion (37 percent of the General Fund).

On March 10, the Oklahoma legislature approved State Bill 640, which requires a super majority (75 percent) in the House to pass a revenue tax increase. Any proposal gaining less support than a super majority will then be placed on a referendum where a majority vote by the public will put into effect the proposed increase.

Pennsylvania

Pennsylvania anticipates a budget surplus of $1.2 million for FY'93. Revenue collections for the fiscal year are estimated to climb $123.6 million over FY'92. After last year's $3.3 billion tax increase, no new revenue sources are expected to be tapped in FY'93. Total expenditures will climb by $100 million, a 1.4 percent increase from the previous year. The most notable increase is expected in medical assistance programs, a $213 million jump from FY'92. This enlargement is offset by $603 million in cuts to existing programs. The remainder of the savings will be allocated to corrections, law enforcement, special education, and school nutrition programs.

Expenditures for FY'93 in Rhode Island are slated to decrease by $318.3 million, an 18.2 percent reduction from FY'92. However, netting out the effects of one-time changes in budgeting and accounting procedures, such as spending deferrals and Medicaid disproportionate share payments, yields an actual spending decrease of $18.7 million, a 1.2 percent spending reduction for FY'93.

The state expects revenues to increase by less than 1 percent, due to a weak economic recovery and expiration of a temporary personal income tax rate increase. Pennsylvania is also downsizing state government in response to the fiscal crunch, while maintaining the ability to provide human services, particularly to women and children.

Rhode Island

In an effort to grapple with persistent deficits, Rhode Island is considering a number of tax changes. At the top of the list is a $46.8 million increase in sales tax revenue, resulting from the removal of sales tax exemptions and a broadening of the sales tax base to include services. Other proposals include: a new tax assessed on Health Care Providers ($10.6 million); an increase in the corporate minimum tax from $100 to $250, ($3.45 million); retention of the corporate surtax ($4 million); and an extension of a public utilities tax levied on telephones ($4.2 million). This tax was scheduled to sunset at the end of the current fiscal year. Expenditures for FY'93 in Rhode Island are slated to decrease by $318.3 million, an 18.2 percent reduction from FY'92. However, netting out the effects of one-time changes in budgeting and accounting procedures, such as spending deferrals and Medicaid disproportionate share payments, yields an actual spending decrease of $18.7 million, a 1.2 percent spending reduction for FY'93.

South Carolina

A $203.3 million budget deficit is expected to force South Carolina to utilize its Capital Reserve Fund (a budgeted account of 2 percent of previous year's general fund collections, which must be used first in instances of shortfalls), implement 3 percent across-the-board spending reductions, sequester various spending programs, and increase out-of-compact radioactive waste burial fees. In total, these measures are anticipated to provide $213.9 million in additional revenues to the state. The only new type of tax being discussed for FY'93 is a 10 percent excise tax on 1-900 numbers, projected to raise $1 million. The state's priorities will be primary and secondary education, and restoration of fiscal stability after 18 months of substantial cuts. South Carolina's economic forecast is expected to parallel that of the national economy, but with unemployment below the national rate and personal income growth in the 6 percent range.

South Dakota

With economic indicators above the national averages, South Dakota will likely pass a balanced budget with few tax changes. Proposed increases in the tobacco excise and a new wholesale tobacco tax are estimated to raise $4.1 million and $750 thousand, respectively, for FY'93.While the state anticipates a balanced budget, expenditure growth is nevertheless outpacing revenue growth by 3.6 percentage points. The state's fastest growing expenditure has been aid to local government, which is projected to increase by $24.5 million, or 14.8 percent. Roughly half of this increase will be used to fund a new property tax credit program. Indeed, the state's focus in budgeting is producing a

balanced budget that meets state needs, while providing maximum aid to local governments.

Tennessee

After defeating Governor Ned McWherter's proposal for a new broad-based personal income tax, Tennessee remains one of seven states without such a tax. However, Tennessee joins the list of states facing a budget deficit with estimates ranging from $60 to $105 million for FY'93. Proposals to provide an additional $420 million in revenue include increases in professional license fees ($40 million) and a 0.5 percent increase in the sales tax rate to 6 percent ($230 million). In addition, revenues from a Medicare provider fee are expected to raise approximately $150 million.

In an attempt to bring Texas out of the red, $2.5 billion in additional revenue is projected for FY'93. This is the result of nearly 30 separate changes in taxes and fees made in the previous year, including franchise tax reform, a broader sales tax base, and rate hikes on motor fuels, auto sales, and rental taxes. Also, voters in Texas approved a new state lottery last November, which is expected to contribute $462 million in revenues to the state for the current biennium.

Furthermore, the legislature has proposed across-the-board spending cuts for all general fund programs except education and AFDC grants. Cancellation of various capital outlay projects and interfund transfers will also help resolve the budget shortfall. Education programs are the state's highest fiscal priority, and the state is hoping to rebuild its "rainy day" fund. The fund's estimated balance for the end of FY'92 is $7.2 million, down from $100 million. Tennessee anticipates a $40 million balance in its reserves at the end of FY'93.

Texas

Texas anticipates a $492 million deficit at the close of FY'92. Although the state constitution requires a balanced budget, shortfalls are allowed within the biennium. When the FY'92-93 biennial budget period comes to a close, the state expects a year-end surplus. In an attempt to bring Texas out of the red, $2.5 billion in additional revenue is projected for FY'93. This is the result of nearly 30 separate changes in taxes and fees made in the previous year, including franchise tax reform, a broader sales tax base, and rate hikes on motor fuels, auto sales, and rental taxes. Also, voters in Texas approved a new state lottery last November, which is expected to contribute $462 million in revenues to the state for the current biennium. Projections for the end of FY'93 are for a $2.2 million surplus in its general revenue fund, and $176 million in the "rainy day" fund. The state's top fiscal priority will be equalizing funding for education and providing a balanced budget for the FY'92-94 biennium.

Utah

Utah continues to outperform the national economy. FY'93 is expected to end with a budget surplus in excess of $30 million for the state. Revenues for the state should increase $93 million, or 5.15 percent. Expenditures for FY'93 are expected to grow by $104 million over FY'92, a 2.8 percent increase. The largest portion of that increase is attributable to higher education, which will grow by $35.1 million, an 8.1 percent jump. Education remains the state's top fiscal priority, as enrollment rates in colleges and universities are above expected levels. Health services also place in the state's fiscal priority agenda, as federal mandates and higher costs in the Medicaid and UMAP programs are expected to total an additional $37 million in FY'93.

Vermont

In the midst of a three-year budget balancing plan of tax increases and spending reductions, Vermont stays on track in reducing its budget deficit. The state expects to end FY'92 with a $50.5 million budget deficit, $1.9 million above its original target. This year's continuation of those policies is embodied in a 2 percent across-the-board reduction in expenditures from FY'92. This will allow the tax measures to sunset without any further extension. The state will continue to stay within the bounds of the budget agreement to retire the cumulative deficit by FY'94.

Virginia

Faced with a FY'92-94 biennial budget gap of $567 million, Virginia is looking to a combination of tax and spending changes to keep out of the red. For FY'93, nearly $100 million in tax and fee increases have been proposed in a conference bill, primarily through alterations to sales tax exemptions and exclusions, and deferring future tax policy changes. These are intended to counteract a combined $451 million increase (FY'92-94) in Medicaid and corrections, the fastest growing expenditures. Medicaid expenditures will leap by 32 percent over the 90-92 biennium, while corrections spending will grow 9.3 percent over the same period. Furthermore, expenditures for foster care and Aid to Families with Dependent Children will increase by $74 million over the current biennium. In addition to the tax increases, many previously enacted revenue reductions are being

deferred, and nearly $400 million in budget reductions can be expected for the biennium.

Washington

Better than expected revenue collections for the fourth quarter of 1991 reduced the state's estimated budget deficit from $900 million to $750 million. As a result, the biennial budget for FY'91-'93 has been enacted without additional taxes. Instead, the shortfall will be met through a combination of cuts in state agency budgets, reductions in aid to local governments, use of the state's $160 million "rainy day" fund, a $25 million reduction in the state's contribution to its pension account, and minor fees and expenditures cuts. Health care and a continued balanced budget will be the state's top fiscal priorities.

A potential budget deficit of over $120 million in Wyoming was averted without tax increases. Across-the-board reductions of 5 percent were enacted and funds earmarked for special projects were transferred to cover the projected shortfall. Health care, the fastest growing expenditure, is expected to increase by 24.4 percent for FY'93, despite service cuts to Medicaid.

West Virginia

West Virginia's fiscal outlook remains unchanged. With an economy that has never fully recovered from the recession of the early 1980s, West Virginia has not felt the full force of the current recession. But after a decade of virtually every type of budgeting strategy, the state outlook remains bleak. Administrative alterations to both personal and corporate income tax collections will bring in an additional $3 million in revenues, while miscellaneous taxes are expected to provide $2.3 million. Offsetting these revenue increases will be a loss of $1 million due to new exemptions in the state sales tax for organizations like the YMCA, AAA, and private health clubs. Education remains the state's top fiscal priority, and outpaces all other expenditures, growing at a rate of 6 percent in FY'93.

Wisconsin

A budget surplus of up to $5.7 million is expected for FY'93, under budget adjustments proposed by Governor Tommy Thompson. Last summer's biennial budget included $500 million in tax increases, all of which were vetoed by the governor. As a result, many appropriations for FY'93 were also vetoed, in order to avoid deficit problems. The current budget adjustment plan calls for a balanced budget that includes spending increases well below those originally proposed in the biennial budget. Also in the pipeline is a property tax relief referendum to be voted on in November 1993. The package calls for considerable broadening of income tax credits designed to reduce the property tax burden. Tobacco taxes are also expected to increase in FY'93 to 37 cents per pack, up from 30 cents in FY'92. This increase will provide $39 million in revenues in FY'93. Total unemployment was down to 5.1 percent in January 1992, and employment growth is expected to continue throughout 92 and 93. Wisconsin's economy is expected to remain strong and stable. Personal income growth is expected to increase by 4 percent, 0.7 percent above the national rate, despite a 13 percent decline in farm income resulting from weak milk prices. At the close of FY'93, the state anticipates an ending budget balance of $72.1 million.

Wyoming

A potential budget deficit of over $120 million in Wyoming was averted without tax increases. Across-the-board reductions of 5 percent were enacted and funds earmarked for special projects were transferred to cover the projected shortfall. Health care, the fastest growing expenditure, is expected to increase by 24.4 percent for FY'93, despite service cuts to Medicaid. Revenue collections have been below anticipated levels due to lower oil prices and interest rates, affecting two of the state's major sources of income.

District of Columbia

In efforts to balance budget shortfalls, the D.C. City Council approved a $3.6 billion FY'93 budget that included $92.3 million in revenues, suspension of all employee pay raises, and eighteen unpaid furlough days for most government employees. Major provisions in the revenue pachage included extending the temporary 9.7 percent gross receipts tax on public utilities and cable television companies ($32.3 million), increasing personal property tax ($6.4 million) hiking the cigarette excise tax from 30 to 50 cents per pack ($4.5 million), hiking the motor fuels tax ($3.3 million), and increasing the sales tax on alcohol from 6 to 8 percent ($2.9 million). Other measures included extending the 6 percent sales tax to dry cleaners, increasing superior court fees, increasing insurance premium rates, and increasing rents for public space.

The Tax Foundation, a nonprofit, non-partisan research and public education organization, has been monitoring tax and fiscal activities at all levels of government since 1937.

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